# SIERRA LEONE

| Table 1 | 2019 |
|---|---|
| Population, million | 7.9 |
| GDP, current US$ billion | 3.7 |
| GDP per capita, current US$ | 471.1 |
| International poverty rate ($1.9)[a] | 43.0 |
| Lower middle-income poverty rate ($3.2)[a] | 76.0 |
| Upper middle-income poverty rate ($5.5)[a] | 92.7 |
| Gini index[a] | 35.7 |
| School enrollment, primary (% gross)[b] | 112.8 |
| Life expectancy at birth, years[b] | 54.3 |

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011PPPs.
(b) Most recent WDI value (2018).

*Sierra Leone's economy is expected to contract by 3.1 percent in 2020 with the collapse in services sector output. On the demand-side, the contraction will be driven by the decline in investment and net exports. Growth is expected to rebound to 2.7 percent in 2021 and further to 4.2 percent in 2022 driven by the recovery in agriculture, mining and services. Downside risks to this outlook include a more severe COVID-19 outbreak, higher-than-expected inflation, financial sector weakness, growing unemployment and poverty.*

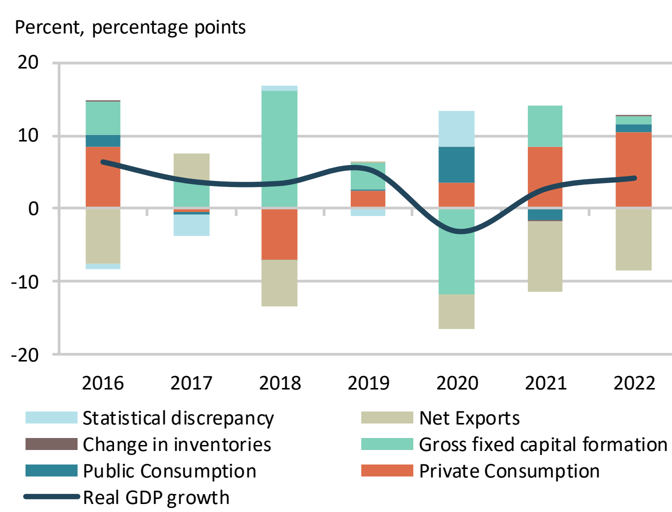
## Recent developments

After growing by 5.4 percent in 2019, Sierra Leone's economy is projected to contract by 3.1 percent in 2020 due to a sharp contraction in the services sector, reflecting suspension of international flights, closure of land borders and lumas (weekly open-air markets in rural areas) and business closures, especially in the hospitality sector. Growth in agriculture is expected to slow with disruptions in labor supply due to the lockdown and delivery of key inputs such as seeds and fertilizers. Nearly two-thirds of rural households reported planting less rice this season, forewarning increasing food insecurity and lower agricultural production (COVID-19, Impact Monitoring Survey in Sierra Leone (CIMS), July 2020). On the demand side, the contraction of the economy is explained by lower investment and net exports, reflecting COVID-19 related uncertainties and global trade disruptions. Nonetheless, public and private consumption will remain strong with increased spending on health, support to vulnerable households (through social safety nets programs) and businesses and demand for essential commodities, including food. The proportion of households below the international poverty line is projected to increase to 44.2 in 2020 due to reduced income from self-employment activities and lower agricultural production.

Headline inflation is projected to reach 15.6 percent by end-2020 from 14.8 in 2019, reflecting food supply constraints as lockdowns and border closures disrupted domestic and international food supply chains. Food inflation (year-on-year), which had declined to 5.4 percent by end -December 2019, reached 17.3 percent at end-July 2020. Four months into the pandemic, 8 out of 10 households reported having difficulty getting enough food compared to a year ago, due mainly to a decline in income and increased prices. Nonfood inflation declined sharply from 21.1 percent to 10.2 percent at end-July 2020, reflecting lower prices for transportation, hotels and restaurant and goods and services. The Bank of Sierra Leone (BSL) lowered its policy rate by 150 basis points, to 15 percent, and rolled out a Le500 billion Special Credit Facility to ease supply chain constraints. Consequently, money supply (M3) grew by 20.4 percent by end-June 2020 from 14.5 percent in December 2019 due to increased credit. The Leone depreciated by 5.1 percent against the US dollar in the first half of 2020, reflecting lower-than-expected export receipts. The current account deficit (CAD) is expected to widen to 15.5 percent of GDP in 2020 from 14.0 percent in 2019, due largely to the widening of the trade deficit as exports fall while imports increased. The BSL's regular foreign exchange auctions provided liquidity to facilitate imports of food and fuel. The current account deficit will be financed by an increase in external reserves through budgetary and balance of payments supports from development partners.

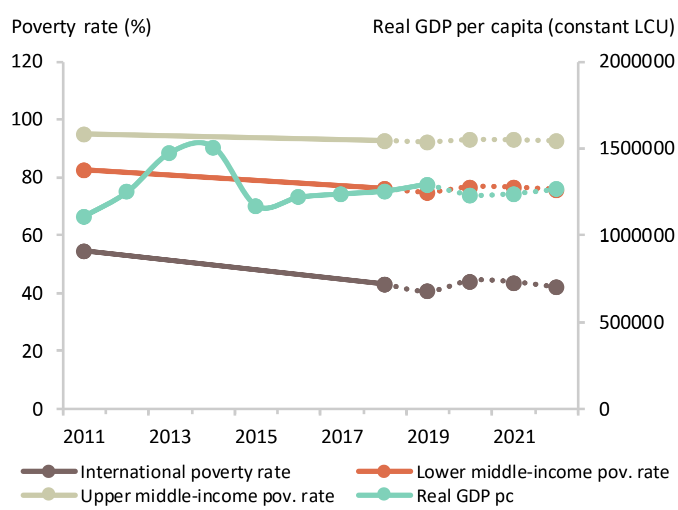
Depressed economic activity is expected to reduce domestic revenues, from a budgeted 14.8 percent of GDP to an estimated 13.0 percent of GDP. The revenue shortfall could be offset by increased

**FIGURE 1 Sierra Leone** / Real GDP growth and contributions to real GDP growth




Sources: Sierra Leonean authorities and World Bank staff estimates and projections.

**FIGURE 2 Sierra Leone** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

budget support grants from development partners. Total expenditure is projected increase to 26.1 percent of GDP from 20.6 percent of GDP in 2019 with increased spending to implement public health measures and mitigate the impact of the crisis on households and businesses. To address emerging fiscal crisis, the Government submitted a supplementary budget to parliament on July 24, 2020, with proposed cuts to nonessential expenditures and funding for its COVID-19 response. The overall fiscal deficit is projected to increase to 5.8 percent of GDP compared to an original projection of 3.3 percent of GDP. The deficit will be financed from both foreign (0.5 percent of GDP) and domestic sources (5.3 percent of GDP). Total public debt is projected at 79.4 percent of GDP in 2020 (up from 71.7 percent of GDP in 2019), largely reflecting the larger fiscal deficit. Both external and overall risk of debt distress remained "high".

## Outlook

The poverty and economic outlook for 2021–22 critically depends on the evolution of the COVID-19 pandemic. Under the assumption of a mild global second wave and the local spread ending by close of 2020, economic growth is projected to rebound to 2.7 percent in 2021 and further to 4.2 percent in 2022 as activities in agriculture, mining, construction and services recover and markets for Sierra Leone's exports reopen. However, in the absence of a robust macro-fiscal response the recovery is likely to be slower. Poverty is expected to slowly decrease in 2021-22 but remain above pre-COVID-19 levels of 40.6 in 2019, as the current economic shock makes it even harder for small businesses and agricultural activities to climb out of a low-productivity trap. Inflation is expected to moderate to 10.2 percent by 2022, supported by increased domestic food production as agriculture and fisheries recover. Post-COVID-19 fiscal consolidation efforts are expected to reduce the budget deficit to 4.2 percent of GDP by 2022, reflecting vigorous revenue mobilization and prudent expenditure management and control especially for payroll and public investment. The CAD is projected to narrow to 12.0 percent of GDP in 2022, driven mainly by increased exports and remittance inflows.

## Risks and challenges

Large domestic arrears, weaker demand for Sierra Leone's exports, lower than anticipated FDI inflows, higher than anticipated inflation and financial sector weaknesses represent the main risks to the outlook. First, the large stock of domestic arrears, estimated at Le 2.8 trillion or 7.7 percent of GDP in June 2020, continue to weigh heavily on public finances and could impede post-COVID-19 fiscal consolidation efforts as well as continued expansion of anti-poverty programs. Second, weaker demand for the country's exports due to COVID-19 could worsen the terms of trade, resulting in lower than expected exports. Third, lower than anticipated FDI inflows especially in the mining sector could cause a drag on economic growth and reduce reserves to finance the current account deficit, putting further pressure on the exchange rate. Fourth, the rapid money supply growth supported by various monetary and fiscal stimuli could make it difficult to reduce inflation over the medium term. Fifth, given the preexisting weaknesses in the banking system, COVID-19 is likely to increase uncertainty in the banking sector and increase the risks of loan defaults. Finally, with the closure of about 15 percent of businesses, job losses could become permanent.

**TABLE 2 Sierra Leone** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2017 | 2018 | 2019 | 2020 e | 2021 f | 2022 f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 3.8 | 3.5 | 5.4 | -3.1 | 2.7 | 4.2 |
| Private Consumption | -0.4 | -7.0 | 2.7 | 4.0 | 9.0 | 10.5 |
| Government Consumption | -4.8 | -1.3 | 2.7 | 58.3 | -11.8 | 9.5 |
| Gross Fixed Capital Investment | 16.2 | 63.4 | 9.0 | -28.4 | 18.8 | 3.1 |
| Exports, Goods and Services | 23.3 | -34.9 | 19.2 | -4.2 | 3.0 | 19.7 |
| Imports, Goods and Services | 6.3 | -11.5 | 8.1 | 5.4 | 15.8 | 18.6 |
| **Real GDP growth, at constant factor prices** | 3.7 | 3.4 | 5.2 | -3.1 | 2.7 | 4.2 |
| Agriculture | 4.5 | 3.9 | 5.6 | 3.1 | 3.6 | 3.9 |
| Industry | -5.3 | -2.5 | 10.2 | 1.1 | 7.1 | 4.6 |
| Services | 5.3 | 4.3 | 3.2 | -13.1 | -0.3 | 4.6 |
| **Inflation (Consumer Price Index)** | 18.2 | 16.0 | 14.8 | 15.6 | 12.8 | 10.2 |
| **Current Account Balance (% of GDP)** | -21.1 | -18.8 | -14.0 | -15.5 | -14.3 | -12.0 |
| **Fiscal Balance (% of GDP)** | -8.8 | -5.9 | -2.8 | -5.8 | -6.3 | -4.2 |
| **Debt (% of GDP)** | 57.8 | 60.5 | 71.7 | 79.4 | 82.1 | 78.7 |
| **Primary Balance (% of GDP)** | -6.6 | -4.7 | -1.4 | 0.4 | 1.0 | 3.0 |
| **International poverty rate ($1.9 in 2011 PPP)**[a,b] | | 43.0 | 40.6 | 44.2 | 43.7 | 42.0 |
| **Lower middle-income poverty rate ($3.2 in 2011 PPP)**[a,b] | | 76.0 | 74.8 | 76.6 | 76.5 | 75.7 |
| **Upper middle-income poverty rate ($5.5 in 2011 PPP)**[a,b] | | 92.7 | 92.1 | 93.1 | 93.0 | 92.5 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2018) with pass-through = 0.87 based on GDP per capita in constant LCU.